

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF
AMERICA AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF
AFGHANISTAN REGARDING THE REDUCTION OF CERTAIN
DEBTS OWED TO, GUARANTEED BY, OR INSURED BY THE UNITED STATES
GOVERNMENT OR ITS AGENCIES

Acknowledging the September 1999 commitment of the President of the United States to provide 100 percent debt forgiveness of eligible debt to certain Heavily Indebted Poor Countries;

And recognizing that the Executive Boards of the International Monetary Fund and the World Bank's International Development Association determined on July 3 and 9, 2007, respectively, that the Islamic Republic of Afghanistan had reached the "Decision Point" as defined under the Enhanced Debt Initiative for the Heavily Indebted Poor Countries;

The Government of the United States of America (the "United States") and the Government of the Islamic Republic of Afghanistan ("Afghanistan") agree as follows:

ARTICLE I

Application of the Agreement

In accordance with the recommendations contained in the Agreed Minutes on the Consolidation of Debt of the Islamic Republic of Afghanistan, signed in Paris on July 18, 2007 (hereinafter referred to as the "Minutes") by representatives of Germany, the Russian Federation, and the United States (hereinafter referred to as "Participating Creditor Countries") and subsequently signed by the representative of Afghanistan on September 25, 2007, and in accordance with the applicable domestic laws of the United States and Afghanistan, the United States and Afghanistan agree herein to the cancellation of certain Afghan payments arising from debts which are owed to, guaranteed by, or insured by the United States Government or its Agencies.

ARTICLE II

Definitions

1. "Afghanistan Public Sector" means all national, provincial, and municipal agencies, tassadies (state owned enterprises) or other instrumentalities of Afghanistan.
2. "Agencies" mean the United States Department of Agriculture ("USDA"), including the Commodity Credit Corporation (CCC), and the United States Agency for International Development ("USAID").
3. "Consolidation Period" means: (a) the period from July 1, 2007 through March 31, 2008, inclusive, if the conditions set forth in Article IV, paragraph 1 of this Agreement are satisfied; and (b) the period from July 1, 2007 through March 31, 2009, inclusive, if the conditions set forth in Article IV, paragraphs 1 and 2 of this Agreement are satisfied.
4. "Consolidated ODA Arrears" mean 100 percent of the amounts of unpaid principal and interest, including Late Interest, due as of March 31, 2006, inclusive, under the Contracts specified in paragraph 6 of this Article.
5. "Consolidated ODA Debt" means one hundred (100) percent of the amounts of principal and interest, excluding Late Interest, falling due during the Consolidation Period under the Contracts specified in paragraph 6 of this Article.
6. "Contracts" mean:
 - (a) those agreements or other financial arrangements, including USAID direct loans or USDA PL-480 credits, which were extended to the Government of Afghanistan or to

the Afghanistan Public Sector or covered by a guarantee of Afghanistan or the Afghanistan Public Sector prior to June 20, 1999; and

- (b) the bilateral debt rescheduling agreement (the “Rescheduling Agreement”) between the United States and Afghanistan signed on September 26, 2006.

A table listing all Contracts to be included under the reduction is attached hereto as Annex A.

If either party should identify an additional agreement or financial arrangement concerning an amount owed by the Government of Afghanistan or Afghanistan Public Sector to the United States prior to June 20, 1999, not listed in Annex A, the parties agree to amend this Agreement, to ensure that the relevant amount is included in and cancelled pursuant to this Agreement, subject to domestic legal requirements.

Debt service due as a result of debts described above and effected through special payment mechanisms or other external accounts is included in the present Agreement.

7. “Late Interest” means interest charges payable on due, but unpaid amounts of principal and interest that have accrued from the original contractual due date up to June 30, 2007, inclusive, on amounts of Consolidated ODA Arrears in accordance with the terms of the Contracts, notwithstanding the payment of such principal and interest subsequent to the original due dates.

8. “Minutes” means the Agreed Minutes on the Consolidation of the Debt of the Islamic Republic of Afghanistan, signed on July 18, 2007.

9. “Participating Creditor Countries” means creditor countries that are signatories to the Minutes.

ARTICLE III

Terms and Conditions of Payment

1. The amount equal to 100 percent of the Consolidated ODA Debt and Consolidated ODA Arrears is hereby cancelled.

A table summarizing the amount of Consolidated ODA Debt and Consolidated ODA Arrears to be cancelled if the Consolidation Period is July 1, 2007 to March 31, 2008, inclusive, is attached hereto as Annex B1. A table summarizing the amount of Consolidated ODA Debt and Consolidated ODA Arrears to be cancelled if the Consolidation Period is July 1, 2007 to March 31, 2009, inclusive, is attached hereto as Annex B2.

2. Adjustments in the amounts of Consolidated ODA Debt and Consolidated ODA Arrears may be made in writing, as necessary and by mutual consent.
3. All terms of the Contracts remain in full force and effect, except as they may be modified by this Agreement.

ARTICLE IV

General Provisions

1. The provisions of this Agreement will apply during the period July 1, 2007 to March 31, 2008, inclusive, provided Afghanistan continues to have an appropriate arrangement with the International Monetary Fund (IMF).
2. The provisions of this Agreement will apply during the period July 1, 2007 to March 31, 2009, inclusive, provided that (i) the Chairman of the Paris Club or his designee has informed the Government of Afghanistan in writing that the 3rd review of the arrangement under the Poverty Reduction and Growth Facility has been approved; and (ii) Afghanistan has made on due dates the payments referred to in the Minutes.
3. The parties agree that the conditions set forth in Article IV, paragraph 2(b) of the Rescheduling Agreement have been met and that the consolidation and rescheduling of maturities and capitalization of interest provided for in Article III of the Rescheduling Agreement will apply to principal and interest installments due between April 1, 2006 and June 30, 2007, inclusive. The parties further agree that the consolidation and rescheduling of maturities and capitalization of interest provided for in Article III of the Rescheduling Agreement will not apply to principal or interest installments due on or after July 1, 2007 under the original terms of the Contracts specified in Article II, paragraph 6 of this Agreement.
4. The United States and its Agencies reserve the right, in their discretion, to redirect any payment made by Afghanistan on its obligations under the Contracts or under this Agreement if the United States concludes that such action will more effectively implement the recommendations contained in the Minutes as well as any subsequent actions of the Paris Club in relation to Afghanistan. In making a decision whether to redirect such payments, the United States may take into account any factors it deems appropriate, including, but not limited to, any actions on the part of Afghanistan that result in Afghanistan's failure to satisfy the conditions of Article IV, paragraphs 1 and 2 of this Agreement. As used in this paragraph, "redirect" means: (1) to apply or reapply all or a portion of a payment made by Afghanistan to either an obligation due or coming due under this Agreement or to another obligation due or coming due of Afghanistan to the United States or its Agency; or (2) to return any amount to Afghanistan.

5. Except as modified by Article IV, paragraph 3 of this Agreement, all terms and provisions of the Rescheduling Agreement remain in full force and effect.
6. Afghanistan agrees to grant the United States and its Agencies treatment on terms no less favorable than those which it has accorded, or may accord, to any other creditor country or its agencies for the reduction of debts of comparable maturities.
7. Afghanistan shall seek to secure from external creditors, including banks and suppliers, reduction and reorganization arrangements on terms comparable to those set forth in the Minutes for credits of comparable maturity, while trying to avoid inequity between different categories of creditors, all as described in the Minutes.
8. Afghanistan guarantees the immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by private debtors in Afghanistan for the servicing of their foreign debts owed to or guaranteed by the Participating Creditor Countries or their appropriate institutions, for which the corresponding payments in local currency have been or will be deposited in the Central Bank.
9. Afghanistan represents and warrants that it has taken all action necessary or advisable under its laws and regulations to authorize the execution, delivery and performance of this Agreement and that this Agreement constitutes a valid and binding obligation of Afghanistan, enforceable against Afghanistan in accordance with its terms and for the performance of which the full faith and credit of Afghanistan is pledged.
10. With respect to amounts owed to USAID under this Agreement, Afghanistan agrees to the additional terms and conditions set forth in Annex C.
11. With respect to amounts owed to USDA's CCC under this Agreement, Afghanistan agrees to the additional terms and conditions set forth in Annex D.
12. The Annexes shall constitute an integral part of this Agreement.
13. This Agreement may be amended or modified by mutual written consent of the United States and Afghanistan.

ARTICLE V

Suspension or Termination

The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Afghanistan. In particular, the United States may terminate all or part of this Agreement if the Participating Creditor Countries determine that Afghanistan has not met its obligations under the Minutes, including that of comparable treatment. If the United States terminates all or part of this Agreement, all debts cancelled under this Agreement

shall be due and payable immediately according to terms of the original Contracts, following notification to Afghanistan of termination of the Agreement.

ARTICLE VI

Entry into Force

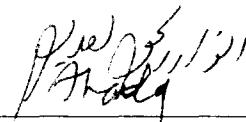
This Agreement shall enter into force following signature of the Agreement and written notice from the United States to Afghanistan that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Kabul, Afghanistan, in duplicate, on the dates shown below.

FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:

 3/10/08
William Wood
Ambassador

FOR THE GOVERNMENT OF
THE ISLAMIC
REPUBLIC OF AFGHANISTAN:


Dr. Anwar Ul-Haq Ahady
Minister of Finance

MARCH 10, 2008

Annex A
Contracts Subject to Reduction

U.S. Agency for International Development

306-B-002
306-B-003
306-D-015
306-G-008
306-H-004
306-H-005
306-H-006
306-H-006A
306-H-007
306-H-009
306-H-010
306-H-012
306-H-013
306-H-013A
306-H-014
306-H-016
306-H-017
306-T-019
306-W-018
306-W-018A
306-T-021R
306-T-022R
306-T-023R
306-T-024R

U.S. Department of Agriculture

68AF1
69AF1
71AF1
72AF1
73AF1
76AF1
78AF1
06AFA
06AFB
06AFC

Annex B1
Summary of Consolidated ODA Arrears and
Consolidated ODA Debt for the Consolidation Period July 1, 2007 through March 31, 2008
(thousands of U.S. dollars)

USDA PL-480	\$662
USAID Direct Loans	\$4,672
Total	\$5,334

Annex B2
Summary of Consolidated ODA Arrears and
Consolidated ODA Debt for the Consolidation Period July 1, 2007 through March 31, 2009
(thousands of U.S. dollars)

USDA PL-480	\$1,507
USAID Direct Loans	\$9,652
Total	\$11,159

Annex C
Additional Terms and Conditions with Respect
to Amounts Owing to USAID

A. TERMS AND CONDITIONS OF PAYMENTS

1. **Payments.** Afghanistan agrees to pay amounts owing to USAID in accordance with the terms and conditions of this Agreement, including this Annex.
2. **Funds and Place of Payment.** All payments made to USAID by Afghanistan under this Agreement shall be made in United States dollars via electronic funds transfer to the Federal Reserve Bank, 33 Liberty Street, New York, New York 10045. Payment instructions to the Federal Reserve Bank should read:

BNF-/AC-72000001 OBI=(Pay US Dollars
Principal Interest
Loan Number)

3. **Application of Payments.** To the extent a payment by Afghanistan is insufficient to satisfy the aggregate amount of principal and interest due, such payment shall be applied first to interest then due, with the remainder, if any, applied to the principal amount of the installment.
4. **Prepayments.** Any prepayments made pursuant to Article III that may be applied to installments of principal shall be applied in the inverse order of their maturity if the rescheduled amounts relate to direct loans.
5. **Payments due on non-business days.** In the event that a payment is due on a day when the Federal Reserve Bank of New York is closed for business, the payment shall be made on the next succeeding business day. This extension of time shall be included in computing the interest on such payment and excluded from the following interest period, if any.

B. INTEREST

Computation of Interest. Interest shall be computed on the basis of the outstanding balance of the loan times the interest rate (annual interest) and dividing by the number of payments per year.

C. GENERAL PROVISIONS

1. **Adjustments.** Following the execution of this Agreement, USAID shall inform Afghanistan of the actual amounts to be rescheduled hereunder. The parties hereto agree to

make any necessary adjustments to the amounts being rescheduled under this Agreement and such amounts may be further adjusted, from time to time, as the parties may mutually agree.

2. Future consolidations. If the terms of this Agreement provide for the Consolidation Period to be extended beyond the initial Consolidation Period, and provided conditions contained in the Agreement are met, USAID will manage each extended period as a separate loan and identify it with a separate loan number and interest rate. Following notification that the conditions have been met, USAID will inform Afghanistan of the actual amounts to be rescheduled under that consolidation, provide a repayment schedule of those amounts, and notify Afghanistan of the applicable interest rate(s).

3. Communications. All communications between Afghanistan and USAID shall be in writing in the English language (or accompanied by an accurate translation). All communications to Afghanistan shall be addressed as Afghanistan may designate from time to time in writing to USAID. All communications to USAID shall be addressed as follows:

Chief
Office of Financial Management, Loan Management Division (FM/LM)
USAID
1300 Pennsylvania Avenue, N.W.
Room 2.10.B56
Washington, D.C. 20523
Fax: (202) 216-3541

USAID may change this designated address upon written notice to Afghanistan.

4. Authorized Representatives. Afghanistan shall designate in writing duly authorized representatives permitted to perform any and all actions required under this Agreement and may change its designated representatives by written notice to USAID. USAID may accept the signature of such representatives on any instrument as conclusive evidence that any such action effected by such instrument is authorized by Afghanistan until receipt of written notice of revocation of their authority.

5. a. Event of Default. The failure by Afghanistan to make full payment of any installment when due under this Agreement shall be deemed to be an event of default. Upon the occurrence of an event of default, USAID, at its option, may declare all or any part of unpaid principal and all accrued interest thereon to be due and payable immediately. If Afghanistan pays the defaulted installment, including any Additional Interest which has accrued thereon, within sixty (60) days of any such declaration, the declaration of an Event of Default will be deemed to have been rescinded.

b. Waivers of Default. No delay in exercising, or omission to exercise, any right accruing to USAID under this Agreement shall be construed as an acquiescence or waiver by USAID of any such right.

6. Notification and Confirmation. USAID will, to the maximum extent practicable, notify Afghanistan of payments due at least fifteen (15) days prior to the due date of each payment. Failure to provide such notice, however, does not excuse failure to make payment when due.

7. Governing Law. The USAID portion of this Agreement will be governed by and construed in accordance with the laws of the District of Columbia, United States of America.

8. Expenses. Afghanistan shall reimburse USAID, upon demand, for all reasonable, necessary and documented expenses (including legal fees) incurred by or charged to USAID in connection with or arising out of USAID's successful attempts to enforce this Agreement.

Annex D
Additional Terms and Conditions with Respect
to Amounts Owing to USDA/CCC

1. Afghanistan agrees to pay amounts owing to USDA/CCC in accordance with the terms and conditions of this Agreement, including this Annex.
2. Application of Payments: The application of payments or credits by USDA/CCC shall be FIRST to any late interest due on the installment being paid, then to interest due on the installment being paid, with any remaining balance applied to the principal installment due.
3. Funds and Place of Payment: All payments made by Afghanistan to USDA/CCC under this Agreement shall be in U.S. Dollars. All payments shall be deposited with the Collection Division of the Federal Reserve Bank (FRB) of New York for credit to the account of CCC (Symbol 8585). If payment is wire transferred, the reference ABA #021030004 must be used and the wire transfer must specify TREASNYC/(8585)/CCC precisely as printed. The certificate of deposit should also show the country name, the agreement date and program (P.L. 480 or CCC) on which payment is being made.
4. Payment on a Non-Business Day: Whenever a payment falls due on a day which is not a Business Day, the payment shall be considered paid on the due date if payment is received by USDA/CCC on the next succeeding Business Day. As used herein, "Business Day" shall mean any date on which the Federal Reserve Bank of New York is open for business.
5. Computation of Interest: Interest shall be computed on the basis of the actual number of days elapsed from the previous due date through the current due date, using a 365-day year.